

**DEPARTMENT OF INFORMATION RESOURCES  
OPEN BOARD MEETING**

**Thursday, February 7, 2013, 9:30 a.m.**

1701 North Congress Avenue, Travis Building, Room #1-104, Austin, Texas 78701

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**MINUTES**

PRESENT	Robert Pickering Rosemary Martinez Richard Moore Wanda Rohm Arthur Troilo III Bill Parker, Ex-officio George Rios, Ex-officio
ABSENT	Charles Bacarisse Keith Morrow Brad Livingston, Ex-officio
ACTION	Mr. Pickering called the meeting to order at 9:31 a.m. with a quorum present.
TOPIC	<b>II. Approve Minutes from the November 8, 2012, Board meeting</b>
MOTION	A motion was made to approve the previous meeting minutes by Ms. Wanda Rohm and seconded by Mr. Richard Moore.
ACTION	The minutes were unanimously approved.
TOPIC	<b>III. Executive Director's Report</b>
DISCUSSION	<p>Mr. Carl Marsh presented for Ms. Karen Robinson and welcomed everyone. Ms. Robinson was not present due to speaking at a legislative hearing. Mr. Marsh informed the Board about the Advisory Committee for 2014–2018 State Strategic Plan for Information Resources Management, which is an action item for today's meeting. The report is a statutory requirement that establishes strategies and priorities to meet the changing technology needs of state government to effectively serve the citizens of Texas over the next five years. By statute, DIR convenes the Advisory Committee to receive valuable advice from a broad range of technology stakeholders.</p> <p>Mr. Marsh informed the Board that the finance team has reported good news that agency-wide operating revenues were greater than budgeted by 5%, while expenditures were down 1%. DIR's cooperative contracts Q1-2013 numbers show purchases totaling over \$415 million, realizing a cost savings of \$66.5 million to our state agency and local government customers.</p> <p>Mr. Marsh informed the Board that Angel Cruz, our previous Chief Information Security Officer (CISO), resigned in January, accepting a position with a private sector organization. Mr. John Hoffman is serving as interim CISO. Interviews will be completed</p>

by the end of this week and we will make an offer for a new CISO in the next couple of weeks.

Mr. Marsh related that the Sunset Advisory Commission members voted on the recommendations presented by the Sunset staff in the report. All issues were unanimously adopted, including the continuation of DIR for eight more years. DIR's Sunset bill has not been filed; this is not unusual considering our decision hearing was less than a couple of weeks ago. We will keep you updated as the legislative session continues.

Mr. Marsh introduced the new employees and reminded everyone that the next DIR Board meeting will be May 30, 2013.

*Mr. Moore asked, are you finding that the compensation for the CISO position is adequate to bring someone of the quality that we want to have for the CISO and is there anything you can do about it.* Mr. Marsh responded stating that he doesn't think the compensation is going to be an inhibitor for bringing on a well-qualified CISO. Mr. Marsh also state that in the industry, there is a wave of IT innovation and transformation going on whether it is a CISO or network data engineer; we compete against private sector. In general, DIR has its challenges to hire the needed talent. Mr. Marsh believes the reason DIR has had success with the CISO is because of what the agency is doing and has done is being recognized and peaking the interest of potential candidates. DIR will always have a challenge because of who we compete against.

Mr. Arthur Troilo joined the meeting at 9:45 a.m. *Mr. Pickering welcomed Mr. Troilo to the Board. He announced that Mr. Troilo and Mr. Rios will be joining the Texas.gov subcommittee. He welcomed and thanked them for joining the subcommittee.*

#### TOPIC

#### IV. Audit & Finance

#### DISCUSSION

Mr. Andy Dimas presented to the board a brief update on the current audits:

- The statewide project delivery program; the program trains state agencies on Information Resources project management practices. A draft is complete but it is still under review.
- The enterprise contract audit: this audit is currently in the field work phase.
- Also in the planning phase of an audit is the chief information security office and also working on follow-up audits: working with management on the Texas.Gov financial audit and the data center SSAE 16 service provider.

The State Auditor's Office (SAO) has audited the DIR's Historically Underutilized Business (HUB) program, DIR expects to receive a draft of the audit this week or next week for DIR to respond to any issues. SAO is also conducting an audit of contract and vendor management of DIR's Technology Sourcing Office.

Mr. Michael Sparks, on behalf of the CFO, Nick Villalpando, presented an update to the Board on the financial results for the first quarter. Operating revenues are trending just

slightly higher than our budgeted revenue amounts. The one exception is related to data center operations.

Mr. Sparks explained that the gross revenue budget for Data Center Services for the year, was established at our GAA appropriated amount, which had been reduced from the original revenue estimate for the fiscal year as a result of Article IX, Section 17.01, of the General Appropriations Act of the 82nd Legislature. The true-up forecast increases the amount of net revenue available for agency operations by \$1.2 million and results in the DCS program having a projected, positive fund balance at the end of the current fiscal year.

Mr. Sparks presented, for the Board's consideration, a budget amendment resulting from the increase in forecasted revenues for data center services as previously discussed. The amendment includes an increase of approximately \$42 million in gross revenue, \$40.8 million in cost of services, and \$1.2 million in net revenue. This increase will result in our budget exceeding the appropriated amount for the fiscal year. We will also be submitting this request to the Legislative Budget Board for their consideration and written approval, pursuant to Rider 9 in our appropriation pattern of the General Appropriations Act.

*Ms. Martinez asked about the approval process for budget amendments.*

Mr. Sparks responded that the executive director can approve budget amendments that result in overall net change to the budget for more than \$250,000. Larger amendments, over \$250,000, are brought to the Board for review, consideration and approval. All of our appropriations and corresponding budgets for current fiscal year are estimated amounts. In the event we are looking to exceed the appropriated amounts, we are required to go to the Legislative Budget Board (LBB) to increase our appropriations authority accordingly. DIR formalizes the request and then send it to them for their consideration and written approval. There is not a time frame noted on the approval, but LBB needs to provide one.

*Mr. Moore asked if this is a new requirement as of the current biennium.* Mr. Sparks responded yes, that that requirement started in FY 2012-2013, and that provision continues in the appropriations bill for FY 2014-2015. DIR has advised our analyst at LBB that this would be coming to them after we presented it to the DIR Board.

*Mr. Moore asked will DIR know the outcome of the request by the next Board meeting.* Mr. Sparks responded yes, we should know the outcome by the next Board meeting.

**MOTION** A motion was made to approve the Operating Budget Amendments by Mr. Richard Moore subject to written authority from the LBB and seconded by Mr. Arthur Troilo.

**ACTION** The operating budget amendments were unanimously approved by the Board.

**DISCUSSION** *Mr. Bill Parker asked with true-up and the things that agencies are doing, some are going to pay more some are going to pay less. Is your budget amendment is going to cover the difference that the agencies made in their projected cost versus what has happened with the true-up?*

Mr. Marsh responded that the amendment is more of how much money is actually going through that program. When the appropriations are increased, it is not actual money coming to DIR that would close any of those gaps. All it is doing is raising the ceiling of our revenue bar just to cover whatever that program is. For example, if an agency goes into our telecom organization and comes up with a new initiative and their spend results in \$1M of revenue coming in to DIR, the appropriations give us authority to have that much revenue coming through that program.

*Mr. Moore asked does the cap apply to contracts?* Mr. Sparks indicated that the cap applies to the different funds of the agency.

**TOPIC**

**V. State Strategic Plan**

**DISCUSSION**

Ms. Lori Person explained that the Board approved the State Strategic Plan in 2011. DIR is in the process of updating this document; and it is done biennially; this will update the plan in 2013. We would like approval of the advisory committee. This committee will work in a collaborative fashion with our DIR staff to come up with top priorities in technology for the state agencies. The members will meet over a period of time and discuss what they believe to be the hot technology issues and where they think Texas needs to go.

*Mr. Moore asked if DIR contacted these people and are they willing to serve. Ms. Person answered yes that is correct. Mr. Moore commented this is a very Austin-centric list. For the development of a statewide plan, I personally would like to see a geographic diversity in this group. Mr. Moore recommended branching out. Ms. Person said we will add some additional members and we will definitely reach out to people outside of Austin.*

*Mr. Pickering asked is this group limited in terms of telephonic requirements. Mr. Zelinsky answered no, it's not limited, and does not follow under the rules of an open meeting. Ms. Person commented to adding four more members for good geographic diversity. Ms. Martinez suggested going from one end of the state to the other.*

**MOTION**

A motion was made to approve the 2014-2018 State Strategic Plan for Information Resources Management Advisory Committee by Mr. Richard Moore and seconded by Ms. Wanda Rohm.

**ACTION**

The committee was unanimously approved.

**TOPIC**

**VI. Rules**

**DISCUSSION**

Mr. Martin Zelinsky presented two rules for consideration and approval.

- a) Consider issuing order adopting the amendment of 1 TAC Chapter 203, Management of Electronic Transactions and Signed Records. In response to publication, we received one comment from the Institution of Higher Education (ITCHE) to change one section. The staff agreed with the change.
- b) Consider issuing order adopting the repeal and replace of 1 TAC, Chapter 207 Telecommunications Service Division and authorizing publication of the new rules in the Texas Register. No comments were received.

MOTION	A motion was made to approve the recommended changes to 1 Texas Administrative Code Chapters 203 and 207 by Ms. Martinez and Ms. Rohm seconded the motion.
ACTION	Motion was unanimously approved.
TOPIC	<b>VII. Chief Operating Office Update</b>
DISCUSSION	<p><b>a) Data Center</b></p> <p>Mr. Carl Marsh updated the board on the Data Center Services Program. Mr. Marsh informed the Board per a request from a previous Board meeting; that there is more detail on the metrics, on what things looked like before and where we are operating today. Once our new providers took over the operations in July, they had a pent up demand and inherited legacy projects from the previous provider. As you go through each month you see the number of projects decrease, which means the new provider is working on the projects. For September, October, November and December, that number is comprised of the back log in projects and then new projects from customers. That is a good data point that shows our partners are working down their back log that they inherited and they are also working down the new projects that our customers have.</p> <p><i>Mr. Pickering asked is this something that was tracked before in 2011? Mr. Marsh responded that these projects were being tracked in 2011. Mr. Pickering informed Carl that this new metric is good to see. Ms. Martinez indicated that it would be interesting to have a benchmark showing the trend.</i></p> <p>Mr. Marsh responded that when we took over the operation with the new providers, we looked at everything from server consolidation to projects. It has become quite evident that the local area networks that were both in San Angelo and Austin were not stable environments. We took a step back and stopped any significant work activity that would add payload to those networks from the security to rebuild. It was a series of weekends in Austin and San Angelo to change out that network and that impacted productivity during that time. Those activities were well communicated with our customers.</p> <p><i>Mr. Moore commented I would think that your rate structure changed architecture systems toward a more efficient approach.</i></p> <p>Mr. Marsh informed the Board that after he met with DIR staff and with the partners; DIR is getting just data points and visibility and operation that I've not seen or found that there was in the past. This now gives us the ability to work with our customers and design a program and design solutions and the program has some amount of predictability to it.</p> <p><i>Mr. Pickering asked is there a target level or goal to get to? Mr. Marsh answered our target is to be finished with this backlog.</i></p> <p><i>Ms. Martinez asked what caused the incidents in October and November. Mr. Pickering asked what a good acceptable level is, it can't be zero. Mr. Marsh answered no, it's not.</i></p>

Mr. Marsh commented most of these incidents come from the legacy data centers, not consolidated data centers. Even if you have infrastructure that is struggling, we also support legacy applications that have to be worked all the time to keep them running. We have customers that have applications that need to go through application remediation to come up with a new application and use a platform that is a current platform and not a platform development architecture that is really old. We do have a lot of these incidents where we have to deal with these applications on a weekly basis.

Capgemini is required to go to a third-party customer survey company to do an anonymous survey so that people are free to say anything they want. The company that Capgemini chose was the company that the previous provider used. The survey was done in November and December of 2012. At that time, 74% of the people surveyed were very dissatisfied or somewhat dissatisfied with the program. In February of 2013, 21% of the customers surveyed were satisfied. We went from 74% and improved to 19% (dissatisfied). We went from 21% to 59% (satisfied). We've done that in generally 7 months. By the next Board meeting, I'll have all the analytics behind this.

Mr. Zelinsky asked Mr. Mark Stein to come up and introduce himself.

Mr. Mark Stein with Capgemini introduced himself to the DIR Board; the total number of servers remaining is 5,300. The target for the program when it was originally put together was 75% of the total inventory to be consolidated at the end. The reason for 75 percent was that there were some things that will not be consolidated. The target is 4,000 which will get you to the number you need quarter by quarter in order to get to consolidation done.

*Mr. Moore asked rate incentive to them of running on stand-alone server vs. a consolidated server in broad general terms. Is it 30 % less expensive?* Mr. Stein responded it's roughly about 20%.

*Mr. Moore commented they save about 20 % of their cost of by operating on a consolidated server vs. stand-alone server. That could be pretty dramatic.* Mr. Stein answered yes.

*Mr. Pickering commented that two years ago that our issue was actually flip flop. We had tons of servers that needed to be transitioned/ consolidated and very little ability to get that through. Now it seems that we are open for business, we will do 200 this quarter and have 60 sign up.* Mr. Marsh said you can't configure a server.

*Mr. Pickering asked did you say 4 years to do the remaining 2,000? How did you come up with that? Is it based on resource constraint or something in the user community?* Mr. Marsh said that you had to apply to the proposal. It would be collaboration between the customers and DIR as it went through the development of the procurement vehicle.

*Mr. Moore asked, does consolidation means that it goes from the agency's location to the data center or does consolidation mean that it goes from running on a stand-alone server to a server hosting several applications?*

Mr. Marsh said it's both. It's going to be a centralized data center. Mr. Parker may have application right now and he wants to use our vBlock if he gets his remediation work done on his applications. He going to do nothing more than to move his application into the data center and would have no infrastructure involved.

*Mr. Moore commented savings to Mr. Parker; can he put multiple applications on what use to be dedicated servers. Hardware maintenance, system software maintenance data base maintenance should go down dramatically. My main reason for asking is to be reassured that the rate structure incentivizes.*

Mr. Marsh commented, absolutely. It will cost a lot of money if you are in a legacy data center getting a gold premium service from Xerox and Capgemini for your servers. Once you move into the consolidated data center and you are on virtual machines, your cost will go down.

**b) Texas.gov**

Mr. Marsh updated the board on Texas.gov. The transition and business continues to increase. We have added three new members to our Executive Steering Committee and two new members to the Project Review Board. We have ensured significant customer involvement with the shape, strategy and future of this program.

**c) Technology Sourcing Office**

Mr. Marsh updated the board on the Technology Sourcing Office. We have some good and effective RFOs that have been published. They are in a negotiation standpoint that will help enable our customers. We have signed our new Dell and Lenovo Branded Contracts. Our cooperative contracts are a \$1.6 billion enterprise. What goes through the Dell contract is around \$500 million; it is a huge contract.

**d) Enterprise Contracts**

Ms. Grace Windbigler, Manager of Enterprise Contract Management, informed the Board that she has one action item for consideration. This is Amendment Number 6 to the Data Center Services service component provider contract with Xerox State and Local. The amendment amount estimated to be \$25-\$30 million dollars. The purpose of the contract amendment is within the first 120 days of commitment of the contract, the service provider is required to conduct an inventory. The purpose of inventory is to verify and correct any inaccuracies in the number of resource units in the monthly resource baseline. The true-up will impact the server instances, storage and tape volume. This is a companion to budget amendment that Mr. Sparks presented earlier.

**MOTION**

A motion was made to approve Amendment Number 6 to the Data Center Services by Mr. Moore and seconded by Ms. Martinez.

*Mr. Moore commented that this is a huge number but is over a period of 10 years. Ms. Windbigler responded it goes over the entire life of the contract through 2020.*

**ACTION**

Motion was unanimously approved by the board.

#### FOLLOW-UP

*Mr. Moore commented that he understands that DIR is going to fix pricing on the Dell contract away from the discount price. How is DIR going to accommodate the price decreases?*

Mr. Marsh responded that we met to solve this list price percentage. The Legislature wants DIR to move more to a fixed price model. We sat down and came up with a three-prong approach, especially around Dell.

1. You still have to have a percentage off list price.
2. Firm fixed price on the top three highest selling computers/laptops. I want a firm fixed price on those based on volume. The six models represent 56% on what is being purchased for computers.
3. 1 year contract with renewals, and we can go back in 1 year and look what we have done and whether it makes sense.
4. In our Dell contract our Dell customers will always get 1% off Western States Alliance (WSA) cooperative pricing.

#### **e) Communication Technology Services.**

Mr. Marsh updated the Board on Communication Technology Services.

Communications is focusing on moving the state and our customers from Legacy ATM frame circuits to MPLS. We have over 6,000 circuits that we will need to move.

Mr. Marsh responded that it will be less cost for customers and a better service. Everything has moved to network application. *Mr. Moore commented that the security program is good. I hope that we can bring in a CISO that can stay for a couple of years as we get up to speed.*

#### **f) Program & Portfolio Office (PPMO)**

Mr. Marsh updated the Board on the Program & Portfolio Office (PPMO). The PPMO office is everything from Microsoft Office 360 deployments to providing support through major RFOs. The PPMO office is an enterprise office and not a silo office and they are doing a lot of good things.

#### TOPIC

#### **Legislative Update**

#### DISCUSSION

Ms. Person gave the board a Legislative update. Ms. Person informed the Board of Legislative timelines. The Sunset Advisory Committee received positive comments from the committee members; Chairman Cook and Chairman Nichols made statements that the agency had significantly improved. *Mr. Moore commented that Lori has done a great job on working on the Sunset report.*

There are over a thousand bills that have been filed as of January and only about 62 are related to DIR. Our sunset bill has not been filed, but will be filed soon. The bills that we are seeing so far are on texting while driving and also bills related to transparency. We have an online tracking tool on our website. This was direct response from a request from a state agency to take a leadership role in helping them follow technology bills that are being filed at the Capitol. We do have it up and have made some enhancements to it.



*Mr. Moore asked if it is accessible from DIR Website.* Ms. Person responded, yes, there is a link on our homepage to the tracking tool.

In the state strategic planning process and through the biennial performance report this agency has the authority to make legislative recommendations. Our Biennial Performance Report includes our recommendations. It was socialized widely to ITCHE and state agencies before it was finalized.

**TOPIC**                    **Public Testimony – No Public testimony.**

*Mr. Moore informed the Board that this may be Ms. Martinez’s last meeting and thanked Ms. Martinez for her services.*

**MOTION**                A motion was made to adjourn of the meeting by Ms. Martinez and Ms. Rohm seconded the motion.

**ACTION**                The meeting adjourned at 11:38 a.m.

Approved by the Board Chair:

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Charles Bacarisse, Chairman

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Date